

CONFIDENTIAL~~TOP SECRET~~
SECURITY INFORMATION

#53770

26

CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

State Dept. review completed

23 November 1951

STAFF MEMORANDUM NO. 163

SUBJECT: US Response to the French Economic Crisis

1. The US has now taken broad policy action to meet the French economic crisis and to permit France to meet its NATO commitments. French officials began some time ago to warn that the deficit in the French dollar balance of payments was growing so fast and the credit of the French Government was so weakened that the entire economic basis of French foreign and domestic policy was threatened. The French Government insisted it must know the extent to which the US would cover the deficit in order to adjust its economic and military plans to the difficult situation it had to face.

2. The situation itself was so serious and the reaction of the French Government so alarming, in view of France's crucial role in current Western defense negotiations, that the US has acted without awaiting the final report of the TCC on over-all NATO requirements and capabilities and the pending decision in Washington on projected increases in over-all economic aid. Embassy-ECA representatives in Paris have consistently held out for a firm advance commitment of US economic aid in US fiscal 1952 (from direct economic aid, offshore procurement, transfers from military aid, etc.) of \$670 million. The State Department and ECA in Washington agreed on the urgent need for a firm economic aid commitment, but felt that only \$450 million should be committed at this point. The issue has now been settled by high US officials gathered in Paris, who have let the French Government know it can count on about \$650 million, from one source or another, in US fiscal 1952. This agreement settles not only the difference between the positions taken in Washington and Paris on French needs but also a longstanding disagreement whether or not the French should know, in advance

DOCUMENT NO. 47
NO CHANGE IN CLASS. ☐
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S ^C
NEXT REVIEW DATE: 1990
AUTH: HR 70-2
DATE: 21 FEB 80 REVIEWER: 018557

~~TOP SECRET~~**CONFIDENTIAL****CONFIDENTIAL**

CONFIDENTIAL

~~TOP SECRET~~

of making their plans, how much US aid to expect. The French Government, which had recently announced to the National Assembly that without aid it could undertake military expenditures in 1952 of only about \$2.8 billion, will now be expected, in return for the US commitment, to undertake military expenditures in 1952 somewhat over \$3.3 billion, estimated to be the minimum amount necessary to continue the defense program it has under way.

25X1



- 2 -

~~TOP SECRET~~

CONFIDENTIAL